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Nolan Bushnell of Atari fame

HIS SUCCESS STORY IS FUN AND GAMES

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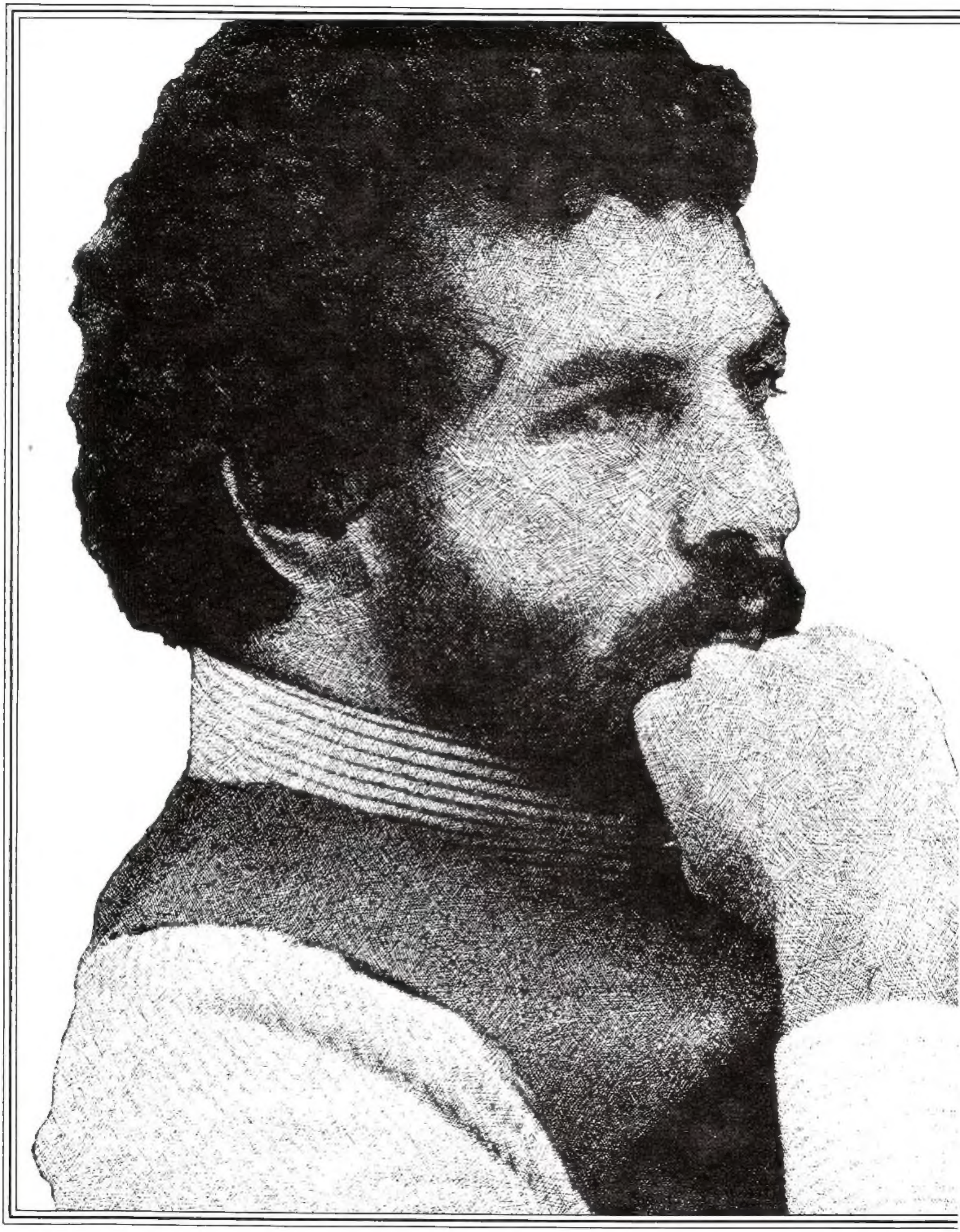


"To win the business game, do what you know"

For the creator of Pong, making millions has been fun and games as he's followed his own advice.

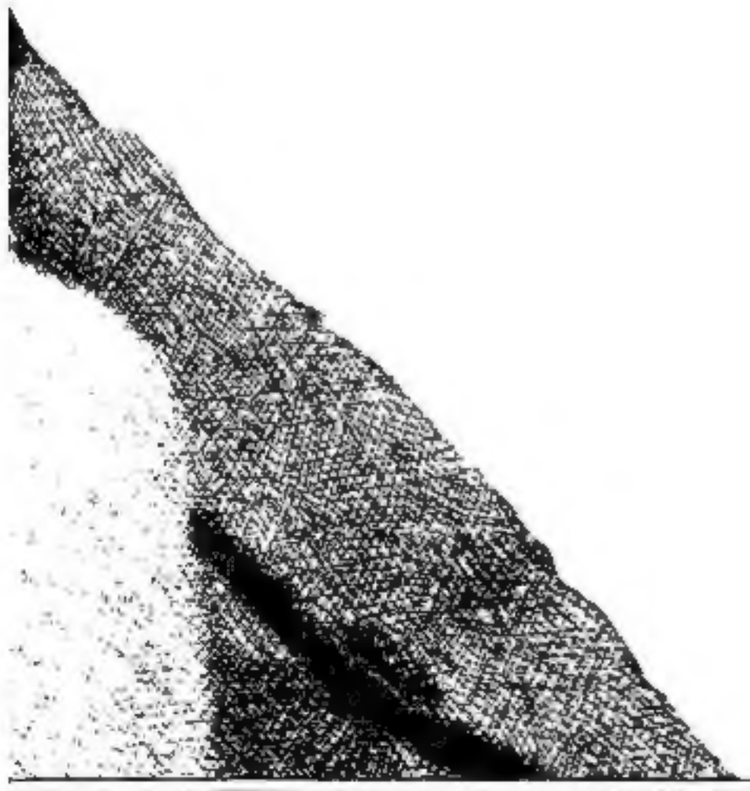
By Nolan Bushnell

To win the business game, the most important thing is to do what you know. Sure, we'd all like to be renaissance men and women. But understanding one's strengths and weaknesses is absolutely essential to winning at business. I have stuck to an area of expertise I understand—the world's leisure mentality. I am probably the only trained engineer in the world who has also made a living running an amusement park, so I put those two things together. I did it at Atari with computer video games, and I'm doing it now at Pizza Time Theatre with fast food and Disneyland-type mechanical characters that provide entertainment.

I worked at the amusement park in Salt Lake City summers during my college years, from 1962 to 1968, and I had lots of time to think about leisure time and how people like to spend it. For the first year and a half, I stood on the midway, cajoling people into playing my knock-the-milk-bottle-over-and-win-a-stuffed-animal game.

I saw a huge number of people and could observe them closely. So I made a game of trying to find out what was the one thing I could say that would hit the common denominator in all these people and make them listen to me. You might call my time on the midway an intensive behavioral training session—I could try different ideas on people every day. If one thing didn't work, I started my experiment over again with a new spiel and a different group of people.

For the next four years, I was manager of the park's games department. That involved managing people and



PHOTOS: JOHN JOSS

choosing games and, for me, it also involved inventing games. I invented a baseball game and a variation of roll-down—that's carnival lingo for the game where you roll a ball down a slanted board and try to hit certain areas on the board.

During my time at the amusement park, I came to three conclusions about the leisure mentality. First, people want to be spontaneous in leisure. They want to have lots of options, yet the options must be kept simple: They want to react to stimuli, not think out or plan their actions. Second, the basics of leisure are having fun, eating, and doing things as a family, yet being able to separate the kids from the parents for at least half the time. The parents love their children, but they also want time alone. The environment has to be nonthreatening so the parents will feel relaxed enough to let their kids run off. Third, the decisions that need to be made should be clearly presented. There should be an easy structure—some rules, but not so many that people feel confined.

I'm using these conclusions successfully in Pizza Time Theatre. But first came Atari. The idea for Atari came to me while I was at college, playing math games on the University of Utah's huge general-purpose computer. If I could just put a coin slot on this machine, I thought, I'd have a business. There must be a million others out there, like me, who'd like to play computer games. But at $4 million apiece, the computers were too costly.

After I got my degree in electrical engineering, I went to work as a research engineer for Ampex Corp., a video equipment maker in Redwood City, Calif. The coin-slot computer idea was shelved.

But one day a new minicomputer price list crossed my desk at Ampex. The price was $40,000—still too high to be practical as the basis for a game, but the trend was too significant to miss. When I saw the price plummet another order of magnitude, to $4,000, in the next two years, I started to noodle out video-game ideas in my spare time.

Suddenly, one day, I realized that a general-purpose machine, even a minicomputer that could do everything from billing to energy management, wasn't necessary. The computer I needed only had to do one thing—play a video game. If I could build the hardware and use microprocessor technology to shrink size and cost, while delivering reliability, I'd be home free. That was my breakthrough.

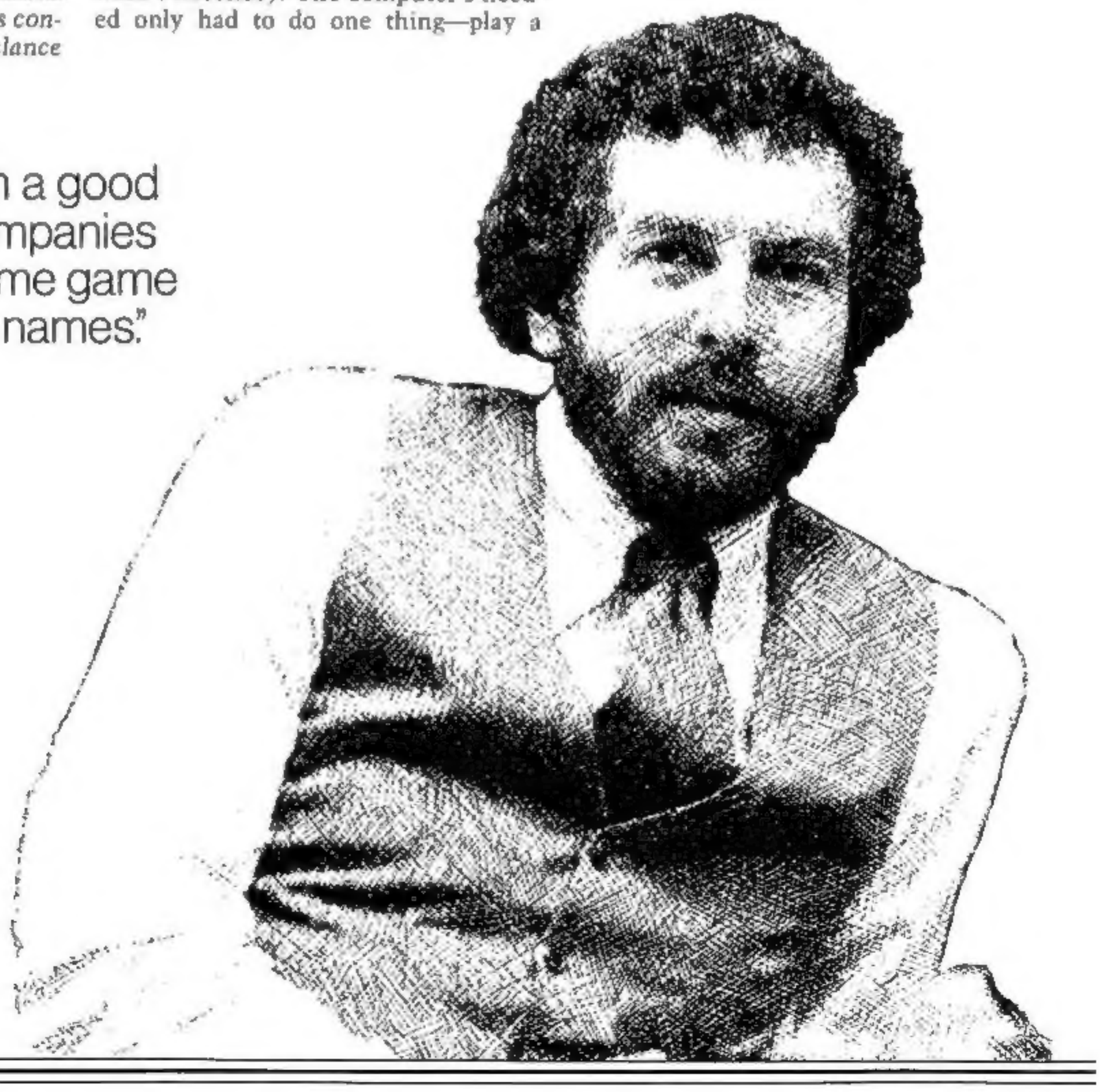
My first video game was an adaptation of Space War, a game I used to play at college. I tried to simplify the game and aim it at the consumer instead of the college student. When I was ready with Computer Space, in 1971, I decided to leave Ampex. It was a little gutsy, but I thought I had a winning idea.

I was able to sell the game to wholesale distributors of coin-operated games, but it wasn't a fabulous success. I figured that it wasn't working because I'd been around engineers for the past few years and they had warped my impression of the layman. So I began to fool around with other ideas and came up with the game of Ping-Pong. It was a simple game to display and the name Pong really hit me, just as I hoped it would hit the public.

I incorporated under the name Atari in 1972. "Atari" comes from the Oriental game of go. It is similar to the word

The interview with Nolan Bushnell that is the basis for this article was conducted for INC. *by John Joss, a freelance writer based in San Francisco.*

"Pong was such a good idea that 28 companies marketed the same game under different names."



"check" in chess. It sounded like a suitably aggressive name to me.

Pong made it big. The idea was so good that 28 competing companies marketed the same game under different names, like TV Tennis. Of 100,000 Ping-Pong video games that were produced, only 8,000 to 10,000 were made by Atari.

But we were the best because we beat all those competitors in the marketplace by coming up with a new game every nine months. It would take the imitators four months to copy the new game and five months or more to gear up to our level of distribution. By that time, we had moved on to another game. In all, we developed 35 games, including Space Race, Rebound, and Track 10. Not all of them were successful, but we stayed ahead of our competition, including the biggest of them all, Bally.

Atari worked financially for sound reasons. I figured it all out before we got started—I'm kind of a nut for statistics. From 1972 to 1974, with very limited initial capitalization, we reached consumers by continuing to sell to the coin-op market, for cash on delivery of the video game machine. These coin-op dealers distributed the games to places like Joe's Bar and Grill for us. That way, we could build for the market and turn our inventory over 12 to 15 times a year because of the constant demand. Our cash flow pulled us out of the hole very rapidly.

In 1974, we started to sell Pong direct to consumers in Sears, Roebuck stores. I knew that going after individual home consumers in really big numbers would turn us into a fourth-quarter, Christmas business with year-long overhead, one-time inventory turnover, and 60 to 90 days receivables—a totally different kind of business. To reach those huge consumer markets buying from stores, we'd need major infusions of capital. This would have diluted my personal share of the company: I estimate that we'd have had to do three times as well as before, just for me to stay even in personal net worth.

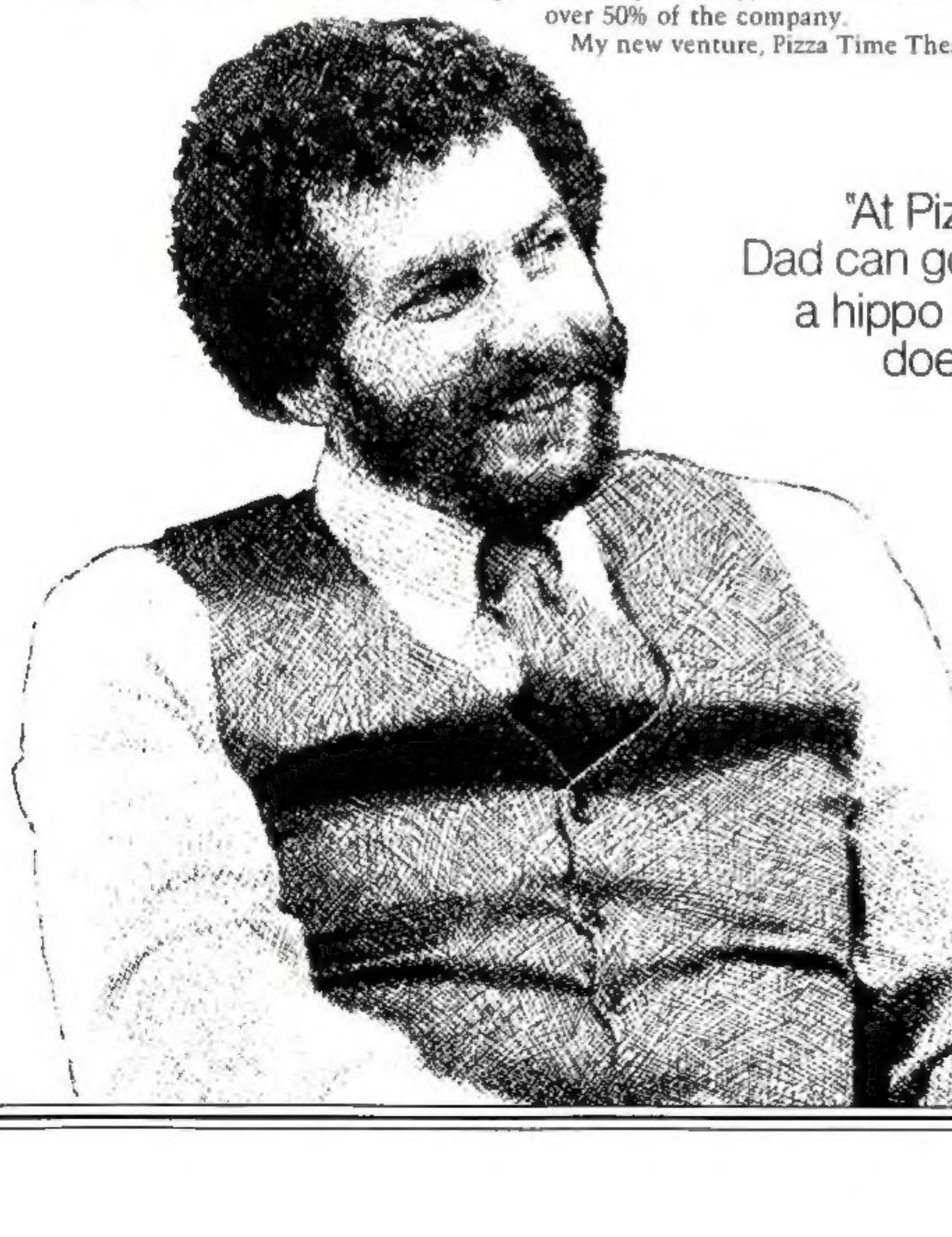
It made sense to sell it, and Warner Communications wanted to buy. They came to me in 1976 when Atari had sales of $40 million. It's now doing over $100 million a year for Warner. I sold Atari for $30 million and realized $15 million personally, since I owned a little over 50% of the company.

My new venture, Pizza Time Theatre, is something I thought of even before Atari. But the TV-game thing took off so fast that my fast-food theater got left behind. It was still in my mind; in fact, I launched it as part of Atari in 1976, just before I sold out to Warner. I ended up buying the activity back from Warner in 1978 for half a million dollars—not much money, but it wasn't in line with their goals.

Why get involved in another start-up? First, I was bored. I wasn't going to retire in my thirties, no matter how big the stake I'd secured. Second, there wasn't nearly enough challenge, or fun, in running someone else's company—even one I'd founded. Third, I guess I had to prove to myself that my big hit with Atari was more than just a fluke.

My idea behind Pizza Time Theatre was to bridge the gap between the fast-food experience and the amusement park experience. I wanted to have good food and a meal that a family could eat together. So I chose pizza instead of, say, ice cream. And I wanted people to spend the whole evening because they were having a good time. So I would have games on the premises.

My next question was, What do we do to bring them there? Entertainment was the answer, but live entertainment is expensive. That's when I hit on using the same idea as Walt Disney—tech-



"At Pizza Time, Mom and Dad can go to the piano bar, where a hippo named Dolly Dimples does her own show."

nological mass entertainment. I developed a cast of life-size, three-dimensional stuffed animals and people called the Pizza Time Players, whose voices and movements are controlled by a computer. Their voices are taped human voices synchronized with their movements—blinking eyes, moving arms—and with a musical score.

Here's how it works at my original Pizza Time Theatre in San Jose. When Mom and Dad and their two kids walk in, they order a pizza and find a table. The large dining room has six framed stages up near the ceiling all around the room. There's one mechanical character filling each frame and the show has just begun. The M.C. is a cigar-smoking rat named Chuck E. Cheese. He introduces Jasper T. Jowls, a dumb dog who plays country and western music on the banjo. After a one-and-a-half-minute set, Jasper stops playing and closes his eyes. There's an eight-minute break and then Chuck E. introduces Pasquale, the mustachioed Italian pizza chef. He breaks into an operatic aria and Chuck E. tries to shut him up because nobody wants to hear opera. This goes on for a minute and a half. Then an eight-minute break. And so on.

When the kids get tired of watching Jasper and Pasquale, they head for the game room, which has more than 100 pinball, arcade, and Atari video games. They can play them with tokens their parents received when they ordered the pizza. As soon as the kids run out of tokens, they come back to Mom and Dad to ask for quarters so they can keep playing.

After eating the pizza, the kids head back to the game room and Mom and Dad can get some more time to themselves by moving on to the piano bar. There, a piano-playing hippopotamus named Dolly Dimples stands behind the bar and does her own show.

The whole evening costs about $3 or $4 per person. I don't want it to be so expensive that no one will come back. But the average total spent per family visit is close to $10, at least 50% above the $6 or less tab at most pizza outlets. Typical revenues should run about $800,000 per restaurant.

What's particularly nice about this new venture is that I haven't had to market it. Because people already know about me from Atari, I don't have to go after them. They're coming to me.

So far, since 1977, I've invested about $2.5 million in Pizza Time Theatre. There are now three restaurants on the West Coast, soon to be five. We've sold 50 franchises out here, and we just sold 285 to Topeka Inn Management, a Midwest developer. They will invest $200 million. This is probably the largest franchise deal ever signed in the United States.

Each one of the three Pizza Time Theatres is already profitable on a stand-alone basis, but the corporation itself isn't yet. Considering the development costs of the animated figures and computer software, initial capitalization and organization, getting the team together, plus the overhead of managing a business, I estimate that we will need six outlets to become profitable at the corporate level. We will have these six by the end of summer 1979. By 1985, I expect that there will be over 1,000 Pizza Time Theatres. About 20% will be owned by the company, the other 80% franchised.

I think I've been successful because I've followed some of my own advice: Don't play in areas where you can't win; avoid that risk by knowing where your personal strengths and leverage lie. My strength lies in my first-hand knowledge of the leisure world. With Atari, as a manufacturer of video games, I was only giving people the tools to have fun. With Pizza Time Theatre, I've put another arrow in my quiver. Now, I can orchestrate the whole experience. □

"There wasn't nearly enough challenge in running someone else's company—even though I had founded it."

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